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BOSTON REDEVELOPMENT AUTHORITY

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COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1989

Coopers
& Lybrand

Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1989

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the accompanying financial statements of the Boston Redevelopment Authority as of September 30, 1989 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1989 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
January 19, 1990

BOSTON REDEVELOPMENT AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1989

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups		Interfund Eliminations	Combined Total (Memorandum Only)
				General Fixed Assets	General Long-Term Obligations		
Investments (Note C)							
Accounts receivable (net of allowance for bad debts of \$52,341)	\$ 3,273,797	\$ 4,290,841	\$ 19,457,241				\$27,021,879
Billed and unbilled amounts due from federal, state and city (net of allowance of \$900,000) (Notes F and K)	26,082	103,426	170,388				299,896
Accounts receivable disposition of development sites	681	662,563	7,089,739				7,752,983
Due from other funds		366,747	4,739,143				4,739,143
Notes receivable (Note G)	5,852,119	35,003,496	1,050,827				36,177,544
Property held for development (Note H)	123,221		13,051,617				13,051,617
Fixed assets, net (Note I)				\$1,073,831			1,073,831
Other assets	250,955	1,081,061	129,825				1,461,841
Amounts to be provided for retirement of general long-term obligations					\$2,232,476		2,232,476
Total assets	\$ 9,526,855	\$41,508,134	\$45,688,780	\$1,073,831	\$2,232,476	\$ (6,218,866)	\$93,811,210
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	2,891,455		444,569				2,891,455
Advances on contracts			4,310,242				444,569
Due to other funds	591,866	1,316,758	652,873				768,670
Retainage	9,329	106,468	335,038				1,981,176
Deposits (Note D)	1,646,138						563,619
Obligations under capitalized leases (Note J)							1,668,857
Vacation, sick leave and retirement costs (Notes L and M)							788,856
Accrued liabilities	788,856		888,200				888,200
Other (Note K)			4,027,325				4,027,325
Deferred revenue	245,527	40,084,908	4,431,098				44,761,533
Due to designated entities							68,684,260
Total liabilities	6,173,171	41,508,134	24,989,345		2,232,476	(6,218,866)	
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				1,073,831			1,073,831
Fund balances:							
Designated for vacation, sick leave and retirement costs (Note L)	1,668,857						1,668,857
Designated for obligations under capitalized leases (Note J)	563,619						563,619
Designated for Neighborhood Housing Fund (Note N)			1,000,000				1,000,000
Designated for Escrow Linkage Fund (Note K and M)			2,118,151				2,118,151
Designated for Urban Renewal Project Assistance (Note N)			1,000,000				1,000,000
Designated for projects			16,581,284				16,581,284
Undesignated	1,121,208						1,121,208
Total fund balances and other credit	3,353,684		20,699,435	1,073,831			25,126,950
Total liabilities, other credit and fund balances	\$ 9,526,855	\$41,508,134	\$45,688,780	\$1,073,831	\$2,232,476	\$ (6,218,866)	\$93,811,210

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the year ended September 30, 1989

	General Fund	Project Funds	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city funding grants		\$ 7,041,403	\$ 7,041,403
Proceeds from disposition of development sites		19,053,546	19,053,546
Rental income		1,511,573	1,511,573
Interest income	\$ 86,576	1,516,633	1,603,209
Other	80,679	67,021	147,700
Total revenues	<u>167,255</u>	<u>29,190,176</u>	<u>29,357,431</u>
Expenditures:			
Personnel		11,111,265	11,111,265
Fringe		3,259,798	3,259,798
Supplies and services	76,426	2,983,213	3,059,639
Contractual services	49,872	2,983,427	3,033,299
Capital outlays		7,441,741	7,441,741
Occupancy costs		1,403,259	1,403,259
Total expenditures	<u>126,298</u>	<u>29,182,703</u>	<u>29,309,001</u>
Excess of revenues over expenditures	<u>40,957</u>	<u>7,473</u>	<u>48,430</u>
Fund balances, September 30, 1988	<u>3,312,727</u>	<u>20,691,962</u>	<u>24,004,689</u>
Fund balances, September 30, 1989	<u>\$3,353,684</u>	<u>\$20,699,435</u>	<u>\$24,053,119</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1989

	Balance, September 30, 1988	Additions	Deductions	Balance, September 30, 1989
<u>ASSETS</u>				
Investments				
Accounts receivable	\$ 1,936,247	\$18,474,094	\$16,119,500	\$ 4,290,841
Billed amounts due from federal, state and city	615,600	103,426	615,600	103,426
Unbilled amounts due from federal, state and city	426,956	566,250	426,956	566,250
Notes receivable	1,745,842	71,520	1,721,049	96,313
Other assets	32,027,617	3,726,572	750,693	35,003,496
Due from other funds		1,081,061		1,081,061
		<u>366,747</u>		<u>366,747</u>
Total assets	<u>\$36,752,262</u>	<u>\$24,389,670</u>	<u>\$19,633,798</u>	<u>\$41,508,134</u>
<u>LIABILITIES</u>				
Due to other funds				
Retainage	1,988,524	13,700,177	14,371,943	1,316,758
Due to designated entities	26,185	80,283		106,468
	<u>34,737,553</u>	<u>8,104,952</u>	<u>2,757,597</u>	<u>40,084,908</u>
Total liabilities	<u>\$36,752,262</u>	<u>\$21,885,412</u>	<u>\$17,129,540</u>	<u>\$41,508,134</u>

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the grant recipient to execute promissory notes to the Authority. Repayments of UDAG grants which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City of Boston capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income and rental income are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City of Boston capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred. Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City of Boston which were acquired in prior years. These properties were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

The Authority holds in investments: funds received in connection with close-out agreements with the U.S. Department of Housing and Urban Development, deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

The Authority follows the policy to invest in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at amortized cost. The Authority includes in investments accrued interest receivable on investments. The aggregate market value of investments held at September 30, 1989 was \$27,097,720.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Investments as of September 30, 1989 consist of:

<u>Type</u>	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Daily Money Market	\$ 5,668,834	5.56% to 8.3%	
Certificates of Deposit	9,147,289	8.35% to 10%	10/5/89 to 12/11/89
U.S. Government Treasury Bills	7,948,939	7.7% to 8.3%	10/5/89 to 10/19/89
Corporate Debt Securities	1,240,784	8.9% to 14.1%	11/15/89 to 6/25/91
U.S. Government Agency	<u>2,791,704</u>	7.3% to 9.85%	3/26/90 to 6/25/91
Investments at cost	26,797,550		
Accrued interest receivable	<u>224,329</u>		
	<u>\$27,021,879</u>		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1989 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1989, the City provided financial resources to the Authority, as follows:

(in thousands)

Urban Development Action Grants (UDAG)	\$ 3,490
City capital appropriations	3,031
Housing Development Grants (HODAG)	2,641
Community Development Action Grants (CDAG)	490
Other federal, state and city grants	<u>809</u>
	<u>\$10,461</u>

The City also provides office space to the Authority at no charge.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1989 is as follows:

	<u>General</u>	<u>Agency</u>	<u>Project</u>
Billed amounts due from federal, state and city	\$681	\$566,250	\$4,743,737
Unbilled amounts due from federal, state and city		96,313	2,644,002
Unbilled court award reimbursements			602,000
	681	662,563	7,989,739
Less: Allowances			900,000
	<u>\$681</u>	<u>\$662,563</u>	<u>\$7,089,739</u>

Project Funds

Included in billed amounts due from federal, state and city is \$1,494,834 receivable from the Boston Water and Sewer Commission (BWSC), an agency of the City of Boston. This receivable represents the net amount due to the Authority for work performed primarily from 1977 through 1983 for BWSC in connection with grants from the Environmental Protection Agency (EPA) and the Massachusetts Department of Water Pollution Control (MDWPC). At present there are some unresolved matters related to the appropriate funding sources for this receivable. BWSC has asserted it is not responsible for the ultimate funding of these costs but will work with the Authority in identifying funding sources to be used to reimburse these costs.

The Authority believes the \$1,494,834 is due and payable from the BWSC based on the terms of its contractual agreements and is prepared to take the necessary steps to pursue collection.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of \$580,230 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1989.

In addition, the Authority has recorded a contingent liability associated with land damage cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded unbilled amounts due from the City amounting to \$602,000 as of September 30, 1989, which are reimbursable under loan orders and other agreements with the City.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the Federal Government for \$11,000,000. As part of the purchase agreement, the Federal Government provided a loan to the Authority in the amount of \$9,900,000 at an annual interest rate of 11%. The loan agreement calls for the payment of interest only in quarterly installments of \$272,250 commencing in January 1988 until October 1992 and quarterly payments of principal and interest of \$650,150 from January 1993 to October 1997. The loan is collateralized by the building.

Interest is capitalized on property held for development acquired through loans. Interest capitalized of \$2,051,617 is based on interest expense incurred from the date of the borrowing on this property through September 30, 1989.

The Authority is currently working to finalize a financing arrangement with the designated developer of the Custom House Tower. The Authority expects to recover its entire investment through the finalization of the developer's financing arrangement.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, October 1, 1988	Current Year Activity	Balances, September 30, 1989
Furniture and fixtures	\$1,425,015	\$ 33,393	\$1,458,408
Vehicles and maintenance equipment	57,224	4,775	61,999
Data processing equipment	326,618	253,797	580,415
	1,808,857	291,965	2,100,822
Less accumulated depreciation and amortization	637,885	389,106	1,026,991
Fixed assets, net	<u>\$1,170,972</u>	<u>\$(97,141)</u>	<u>\$1,073,831</u>

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1989 consist of (see Note J):

Furniture, fixtures and equipment	\$934,660
Less accumulated amortization	<u>384,663</u>
Leased fixed assets, net of amortization	<u>\$549,997</u>

J. Commitments:

At September 30, 1989, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately \$8,800,000.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority leases office space located in the Charlestown Navy Yard. The lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under these leases as of September 30, 1989 are \$1,279,000 for fiscal year ending 1990, \$1,279,000 for fiscal year 1991 and \$675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1989:

Fiscal year ending September 30,

1990	\$184,371
1991	173,257
1992	159,459
1993	79,507
1994	<u>39,231</u>
Total lease payments	635,825
Less amount representing interest	<u>72,206</u>
Present value of future minimum lease payments	<u>\$563,619</u>

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are estimated costs to be reimbursable (see Note F).

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established new restrictive bank accounts totaling \$2,118,151, which can be used by the insurance companies in case of default or challenge by the developers (see Note N).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1989 are as follows:

	September 30, <u>1988</u>	<u>Additions</u>	<u>Reductions</u>	September 30, <u>1989</u>
Vacation and sick leave	\$1,440,624	\$228,233		\$1,668,857
Retirement costs	<u>44,004</u>	<u> </u>	<u>\$44,004</u>	<u> </u>
	<u>\$1,484,628</u>	<u>\$228,233</u>	<u>\$44,004</u>	<u>\$1,668,857</u>

M. Retirement Costs:

The Authority contributes to the contributory State-Boston Retirement System, a cost-sharing multiple-employer public employee retirement system (the System) administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

All full-time Authority employees are eligible to participate in the System. Employee contributions are based upon a percentage of the employee's base pay. In accordance with the Laws of The Commonwealth of Massachusetts, employer retirement costs are funded on a "pay-as-you-go" basis (estimated retirement benefits to be paid in excess of employees' contributions and earnings thereon). The Authority is annually assessed its proportionate share of the retirement costs of the System by the City of Boston. During the year ended September 30, 1989, the Authority contributed \$2,502,634 and Authority employees' contributed \$738,115.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1989. The total pension obligation and net assets available for benefits applicable to the Authority's employees were \$14,373,000 and \$8,374,000 at June 30, 1989, respectively. The Authority's actuarial pension expense consisted of \$301,000 employer normal cost and \$720,000 amortization of the unfunded actuarial liability.

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) no postretirement benefit increases, and (4) removal of the \$30,000 compensation cap.

N. Designation of Project Fund Balance:

During fiscal 1989, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Following are the designations and their amounts at September 30, 1989:

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

Neighborhood Housing Fund Designation

The Authority's Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The Fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. On September 14, 1989, the Board authorized to designate \$1,000,000 of the Authority's fund balance to the Neighborhood Housing Fund.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of \$2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of \$13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This \$13,348,000 represents the present value of future Development Impact Projects (DIP) payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on ten DIP agreements, valued at \$13,739,940 creating 525 housing units of which 372 or 71% will be affordable. The business terms are as follows:

An escrow account in the amount of \$1,307,735 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 will be reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America will loan cash against two DIP Agreements valued at \$5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable. The business terms are as follows:

Continued

BOSTON REDEVELOPMENT AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued

An escrow account in the amount of \$460,416 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

An escrow account in the amount of \$50,000 will be specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

A \$250,000 litigation reserve escrow account will be established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

Urban Renewal Project Assistance

On September 28, 1989, the Board of Directors authorized the Authority to designate \$1,000,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas.

